

Housing Comprehensive Plan Task Force

Meeting Summary January 17, 2007

Task Force members present: Jim Bellus (Chair), John Couchman, Jim Erchul, Jon Gutzmann, Beverly Hawkins, Susan McCall, Marjorie Mangine, Margy Mattlin, Gaius Nelson, Jim Solem, Terri Thao, Missy Thompson, Maureen Warren, Linda White

Members absent: Jim Carlson-Otero, Ilean Her, Shawn Huckleby, Glen McCluskey, Harry Melander, Marilyn Porter, Paul Rebholz, Mary Tingerthal

Staff: Joe Collins, Shawntera Hardy, Gary Peltier, Sheri Pemberton-Hoiby, Luis Pereira, Yang Zhang

Guests: John Buzza, Alicia Huckleby, Autumn Lubin, Marcia Moermond

Chair Bellus opened the meeting by introducing the guest speakers, Marcia Moermond of the City of Saint Paul Council Research, and Autumn Lubin of the Minnesota Mortgage Foreclosure Prevention Association.

Marcia Moermond, of the City of Saint Paul City Council Research office, discussed research she and her staff did in 2006 about trends relating to the rising number of vacant buildings and mortgage foreclosures in the City of Saint Paul. Vacant buildings are tracked by the City of Saint Paul Office of Licensing, Inspection, and Environmental Protection, and there are 3 categories: Category 1 includes properties in excellent condition, Category 2 includes properties with some code violations and will require some investment and/or repair to be brought up to code; and finally, Category 3 properties have a lot of problems, as well as a high cost of bringing them up to code. While Category 2 properties are the majority on LIEP's list, Ms. Moermond stated that in reality, there are many Category 3 properties that are not on the official list, due to the requirement of a walk-through inspection by enforcement staff. The number of vacant buildings has grown steadily in the last two years, especially in Ward 6 (Payne-Phalen). As of November 1, there were 803 registered vacant houses in Saint Paul. The typical duration on the list is 1.5 years, and the majority of buildings on the list entered it recently.

According to Moermond, vacant buildings are a key concern for neighborhoods, but there are a limited number of solutions – cities do not have eminent domain authority anymore, and even if there were money to acquire a property, the city cannot simply go and acquire them. Banks are the active actors, and their goal is to get as much money from a property as possible before disposing of them, which is quite different from the goal of public entities. Once acquired, banks do not fix, rehabilitate, or maintain the properties.

The foreclosures that were studied by Council Research were those between 2005 and October of 2006. They are less dispersed, and less income dependent than vacant buildings, and are mainly single family and duplex structures. Wards 6 and 7 (East Side, Greater East Side, and Southeast) have the most foreclosures, followed by Ward 5 (North End). When displayed by planning district, District 5 (Payne-Phalen) and District 6 (North End) have the most foreclosures. Foreclosures are

not necessarily owner-occupied properties, as a disproportionate amount of foreclosures is investment property. Home equity loans constitute the largest proportion of foreclosures between 2005 and late 2006 (45%), while home purchase loans constituted 31%. The vast majority of these Saint Paul foreclosures had loans that closed in 2004. The largest holder of foreclosed properties in St. Paul is Wells Fargo, even if such banks may not have originated the loan (they hold it). According to Moermond, foreclosures are expected to peak in 2007 and 2008.

The new City ordinance that will require certificates of occupancy for 1- and 2-family rentals is related to the vacant house and foreclosures issue, insofar in that the condition of properties will be inspected by city code enforcement staff. In addition, the Truth In Sale of Housing reports for rental registered properties provide further information about housing condition, including an inspection and classification by category A, B, or C (5, 3, and 1-year required inspections, based on the condition of the previous condition/classification). Moermond and her staff recently reviewed the TISH reports of all 130 rental registered properties and found that 126 of them were class C properties – i.e. they had significant problems. Moermond contrasted single family and duplex rental properties with multifamily rentals, the former are typically owned by mom-and-pop operations, the latter by a professional management company.

Autumn Lubin, President of the Minnesota Mortgage Foreclosure Prevention Association, contextualized the issue by saying that foreclosures touch every community, as lenders have used “exotic” products that have been abused. Such products are not limited to home-equity loans, but also refinances. Refinancings were mainly due to consumer debt—and typically unsecured loans that were put onto the home. Interest rates are expected to bump the number of foreclosures up to a higher level yet.

Ms. Lubin touted Minnesota as one of two states that have statewide foreclosure prevention programs, funded by four entities: MN Housing, Family Housing Fund, Greater MN Housing Fund, and MN Home Ownership Center. The program is managed by the latter, which also provides counseling and assistance to the homeowner. The MN Mortgage Foreclosure Prevention Association was started in the 1990s by the Attorney General’s office, and now trains housing counselors and certifies them. The City of Saint Paul contributes money to the program to help residents in its jurisdiction.

Lubin said the solutions to rising foreclosures are three-fold: Policy, Prevention, and Intervention:

Policy	Prevention	Intervention
<ul style="list-style-type: none"> • License all mortgage originators (state legislature). Currently individuals are not monitored but the companies are • More funding needed, as people’s housing payments are higher today than in 1990s • Legislation that prohibits lenders from lending to homeowners based on equity w/o regard to ability to repay. 	<ul style="list-style-type: none"> • Loan check up days – housing counselors review peoples’ files to ensure issues are addressed – i.e. housing payment increases and budget planning: new job, sell house, refinance, etc. Emphasis on equity before a foreclosure happens. • Don’t Borrow Trouble Campaign – moved now to the Homeownership Center. Seniors and African Americans 	<ul style="list-style-type: none"> • Forecl. data difficult to get from Ramsey Co (Hsg Counselors can’t get to these easily); Electronic posting of foreclosure sales • Provide info to homeowners, but not from lenders! • Provide lists of delinq. Property taxpayers and water bills to nonprofits for contact about assistance. • Partner w/ senior orgs to identify & assist elderly

	targeted more. • Grassroots, faith-based orgs.	homeowners facing foreclosure.
--	--	-----------------------------------

Lubin explained that sub prime lending and predatory lending are not the same when the risk of the loan to the lender **matches** the risk incurred by the borrower. Subprime lending is predatory when the risk of the loan (to lenders) **does not match** the risk of the loan to the borrower (i.e., when the costs of repaying the loan—interest rate and fees—are higher than the risk incurred by the borrower). She said that there is legislation that has been drafted that makes equity stripping illegal, but more legislation is being drafted to tighten up regulations.

Discussion:

There was general discussion about how state and federal regulations must be increased to combat this growing problem, including the licensing of mortgage originators. The Federal Reserve is very interested in this problem, nationally. Education and outreach are key as demographics change and as the populations of immigrants and people of color increase. Solutions will be different based on the market condition – in a seller’s market, the issue would not be a large problem.

In relating vacant houses to foreclosures, very few of the foreclosed properties are on the vacant housing list, as the latter is based on complaints. A comment was made that if bond money could be used for more than 1st-time homebuyers, the City would have an alternative to subprime lending; one of the plan’s recommendations should be to change the bond financing criteria. Another comment was that lenders look at the foreclosure issue differently, potentially as an opportunity to recover some losses by selling some houses at a discount. Combined with the City’s new ordinance of inspecting and issuing certificates of occupancy for 1- and 2-family rental properties, quality, affordable rental housing could be the outcome. Ownership is more of a lifestyle choice and we cannot regulate against economic self interest. However, the plan should not encourage another wave of homeownership that is unsustainable in the long term (foreclosures may increase again in the future)!

Another issue is the other costs associated with housing: taxes, transportation costs, utilities, etc.

Luis Pereira of PED presented a document entitled “PED Staff Analysis of 5 Key Trends to Inform the Next Housing Plan,” which outlined the following, with background data:

1. Over the next 10 years, Saint Paul will grow.
2. Small households dominate the city, and this trend will continue.
3. Housing affordability has declined broadly due to several factors, and these trends must inform housing planning in Saint Paul.
4. New construction in Saint Paul will continue to be dominated by smaller units in multifamily buildings, with a focus on transportation corridors.
5. Saint Paul’s neighborhoods will require a variety of strategies for the preservation of traditional assets, and the cultivation of new ones.

Staff asked the task force to read and comment on this document at the next meeting.

More discussion points:

- The linkage between transportation and housing needs more discussion, as reverse commuting is just as prevalent as the traditional suburb-city commute. Should the housing plan help solve a transportation problem?
- Another issue is jobs. If jobs are in the city, then residents don't have to travel far.
- Last time, the City greatly exceeded Metropolitan Council's projections/allocations. We shouldn't be restricted by these numbers (7,000 new projected households in St. Paul by 2020, and 2,625 new affordable housing units allocated to St. Paul).
- Housing plan needs to consider changes in the demographics, and coordinated with other plans going on. New immigrant populations may have special housing needs that should be addressed.
- Dakota County built 20 senior high-rises a little bit below market, and did it without HUD financing. Questions for us to consider: Did they create the demand? Did they fuel the demand? They are fully rented, affordable to 80% AMI. They satisfied the aff. housing "need" while doing it in a way "acceptable" to the community.
- Question: What makes an area desirable for housing?
 - Community amenities, social/demographic context, ethnic networks, cultural, parks and rec., walkable commercial areas, safety
- At a future "corridor housing" meeting, staff will outline corridor small area plans, and what they say about housing.
- A plug for the Urban Land Institute's website (policy papers):
http://www.uli.org/AM/Template.cfm?Section=Policy_Papers1&Template=/TaggedPage/TaggedPageDisplay.cfm&TPLID=100&ContentID=11038
- Central Corridor: Hiawatha neighborhoods now have longer commute times, parking issues, new crimes at stations, businesses that went out of business, etc. Central Corridor Task Force is looking to address these issues. It is a different climate than Hiawatha, and different types of land uses along it.

Meeting topics, for the remainder of task force meetings:

Meeting topics schedule:

- Feb. 21, 2007: Public Housing Authority & Neighborhood Assets (Rehabilitation, Demolition, and Preservation)
- March: Emerging Markets, Senior & Special Needs Housing
- April: Corridor Housing / Other inter-city development
- May: Building Design & Sustainability
- June: Housing Finance (1 or 2 meetings)

The meeting adjourned at 6:05 p.m.

Next meeting: Task Force Meeting: 4 to 6 p.m., Wednesday, February 21, 2007, at Rondo Outreach Library, 461 N Dale St.